

DOS, OSD  
Reviews  
Completed.

1972  
Mr. 16 to HK  
Sewin Talker  
Fr: Mr. 17  
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**Comments:**

ON-FILE NSC RELEASE  
INSTRUCTIONS APPLY:

MAY CONTAIN  
CONGRESSIONAL MATERIAL

### Military Manpower and NATO Deployments

The Administration faces a tough battle in Congress again this year with regard to its overall military manpower requests and NATO deployments. Last year, Congress cut the Army 50,000 man-years which reduced the Army from the planned 13 to 11-2/3 divisions and came very close to passing the Mansfield Amendment calling for a 50,000 man cut in NATO.

Senator Stennis made clear to Under Secretary Irwin in an earlier discussion that he believed an 8-10,000 cut in NATO made by the Com0 mittee might forestall a larger cut which will inevitably be proposed by Mansfield. (You will recall that Irwin's response indicated general acceptance of the idea of limited cuts as long as they were taken from support rather than combat.) It is essential that the Administration speak with one voice on NATO starting from the premise that any cuts would have serious adverse political effects in view of the President's public commitments to NATO. This is especially true considering the recent progress made by our Allies in force improvements.

I have discussed this with Under Secretary Irwin: Yes ☐ No ☐

**Comments:**

### Chile Debt Negotiation

On Monday we sent you a memo (Tab A) on the Chile debt negotiations and whether or not a SRG meeting should be held to consider initial and fall-back positions for our delegation to the Paris Club meetings. A SRG meeting had been scheduled but was postponed. Treasury prefers not to have a meeting now because the dates of the Paris Club meetings are still uncertain, and we will be in a better position to decide on our attitude after Chile's other creditors have indicated their position at the Paris Club. (Tab B)

State is concerned that our final decision on Chile's debt will be reached on solely financial grounds without adequate political input or consideration. Under Secretary Irwin sent you a memorandum (Tab C) objecting

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to the postponement of the SRG meeting and recommending that it be held as scheduled. In our memo to you, we recommended that you call Secretary Connally to ask that prior to any final decision on debt rescheduling a meeting of the SRG would be held in order to examine the foreign policy implications of the issue and give the other agencies an opportunity to make an input to the decision.

Irwin may raise the Chilean debt question, emphasizing the importance of the political and strategic aspects of the decision regarding our position. He also may claim (unjustifiably) that State was not consulted on the decision to postpone the SRG.

We suggest that you concur in the probable political effects and importance of the Chilean debt decision, and that it should not be made solely on financial grounds. You may wish to tell Irwin about your call to Secretary Connally.

I have discussed this with Under Secretary Irwin: Yes \_\_\_\_\_ No \_\_\_\_\_

Comments: \_\_\_\_\_

### Security Assistance Shortfall

-- We are studying the Secretary's March 14 options memo on ways of dealing with the shortfall.

-- It is clear that something must be done to alleviate allied concerns and restore adequate funding levels -- the question is how.

-- Shultz is concerned over the effects of an FY 72 supplemental (recommended by Defense) on the President's expenditure ceiling.

-- We note that State favors a Section 508 determination, but recognizes the possible pitfalls of going this route -- it could be seen as a deliberate effort to circumvent Congressional cuts, it would have to be repaid out of FY 73 funds, and it could lead to the elimination of Section 506 altogether.

-- In light of the Congressional climate this year and the necessity for favorable action on our FY 73 request, wouldn't it be preferable to give that request top priority now, and hopefully avoid a continuing Resolution at the low '72 levels, and then have another look at an amendment or a supplemental later?

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